

CITY AUDITOR'S OFFICE



AUDIT ALERT OPERATIONS AND MAINTENANCE DURANGO HILLS GOLF COURSE – IMPREST FUND

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AUDIT ALERT – OPERATIONS AND MAINTENANCE – DURANGO HILLS GOLF COURSE – IMPREST FUND CAO 1707-1213-05

BACKGROUND

Durango Hills Golf Course (DHGC) is an 18-hole executive style golf course. It is located on land owned by the Bureau of Land Management. The City of Las Vegas (City) constructed the golf course in 2002 and entered into the Durango Hills Golf Club Management Contract (Management Contract) with a golf management company (Company) to operate the golf course, pro-shop and the restaurant. The contract was subsequently amended to name IRI Golf Group as the Company.

The Company is responsible for staffing, maintaining, and operating the golf course. In return, the Company receives a monthly management fee and reimbursement for operating and capital expenditures. All revenues related to DHGC belong to the City. The City's, Parks & Open Spaces, Park Maintenance Manager (Project Manager) is responsible for the coordination of contract performance between the City and the Company.

The City Treasurer's office issued DHGC a \$1,500 change fund and a \$2,000 imprest fund to the Company for the DHGC operations. The \$2,000 imprest fund was established by the contract between the City and the Company. The terms of the Management Contract establish guidance for the operation of the imprest fund.

OBJECTIVES

The audit objective was to review the Company's compliance with the Management Contract regarding their use of the \$2,000 imprest fund.

SCOPE AND METHODOLOGY

The scope of this audit was limited to a review of imprest fund and transactions for FY 2011-2012. The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit. The last date of fieldwork was October 10, 2012.

Our audit methodology included:

- Review the Management Contract;
- Review of applicable guidelines, policies, and procedures;
- Interviews with City personnel and Company employees;
- Reconciliation of imprest fund;
- Analysis and detail testing of selected data, and
- Review of previous audit recommendations.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no affect on the audit or the assurances provided.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

We noted the following:

The Management Contract is not being followed with regard to the imprest fund. (Finding #1)

1. Management Contract – Non Compliance

Criteria

According to Section B-6 Imprest Fund of the management contract;

- (a) The Company may employ the use of an *Imprest Fund* to cover small dollar purchases under \$500.00 and purchases of the items which must be paid by C.O.D. (e.g. alcohol and perishable foods). All expenditures from the Fund must be for categories of supplies or services approved in the Annual Budget as Allowable Costs or they shall be regarded as Company Costs.
- (b) The Imprest Fund balance shall be limited to \$2,000, and will be funded by the City. This amount may be increased only with the written approval of the City's Director of Finance and Business Services.
- (c) As expenditures are made from the Imprest Fund, the Company shall submit a request, as part of its monthly invoice, for necessary replenishment of the Fund. The request for replenishment shall detail the expenditures which necessitate replenishment.
- (d) The City reserves the right to revoke the use of an Imprest Fund.
- (e) Upon termination of the Contract or revocation of the right to utilize the Imprest Fund, the Company shall promptly return all money in the Fund to the City.
- (f) Any interest earned on the Imprest Fund Shall accrues to the benefit of the City.

Condition

The \$2,000 cash imprest fund is no longer being used for its intended purpose. Funds were deposited and are comingled with other Company funds. A review of 132 checks written from the Company checking account during the period of 12/8/2010 to 2/29/2012 showed the following:

- Small dollar purchases under \$500 and purchases of items which must be paid by C.O.D. are being paid by check instead of cash.
- Sixteen checks of the 132 were written over the \$500 limit without approval.
- There were 34 checks written to employees (of which 3 were over the \$500 limit), in addition 15 checks were written to AFLAC for the exact amount of \$240.16 per check. The imprest fund is not to be used for recurring operational expenses.
- Eight checks were voided without explanation.
- Original documentation for the imprest fund is located in San Diego, CA. and not easily accessible at the DHGC for funds verification by the City.

Cause

- The Company and City management responsible for administration of the Management Contract did not comply with the stipulated imprest fund restrictions.
- The bank statements and cancelled checks are located in San Diego, CA at the Company's offices and not accessible at the DHGC location for review and reconciliation.

Effect

- The potential exists for unauthorized payments by the Company.
- Potential misuse of imprest fund by Company.

Recommendation

1.1 The City should, revoke the imprest fund and have the funds returned to the City Treasurer's Office as authorized in B-6 imprest fund section (d) and (e) of the Management Contract.